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NOTE

The term 'Britain' is used informally in the *Survey of Current Affairs* to mean the United Kingdom of Great Britain and Northern Ireland. 'Great Britain' comprises England, Wales and Scotland.

Shorter Note

JUVENILE OFFENDERS

Proposals to end the remanding of juveniles to prisons in England and Wales were announced by the Home Secretary, Mr Kenneth Baker, on 4 February.

The measures would apply to 15- and 16-year-old youths awaiting trial and would provide courts with the power to remand them to secure accommodation, run by local government authorities, when necessary to protect the public. The proposals would also:

– place a duty on local authorities to provide secure accommodation;

– require courts to explain their decision to remand a 15- or 16-year-old youth to local authority secure accommodation;

– give courts new powers to attach conditions when remanding juveniles to the charge of local authorities in open conditions; and

– encourage other measures to reduce the demand for secure places, such as an increased use of bail support schemes.

Courts would be able to remand into secure accommodation only those juveniles who:

– are charged with offences carrying a maximum penalty of 14 years or more in prison (offences such as manslaughter, rape, robbery, arson, grievous bodily harm and domestic burglary); or

– have previous convictions for violence or are charged with other offences involving violence; or

– persistently abscond from open conditions and continue to reoffend.

The Government intends to make these changes in the Criminal Justice Bill now before Parliament (see pp 410-13, 1990).

Commenting on the proposals, Mr Baker said that many youths at present held in custody in prison could remain in the community under close supervision if they had better support and steps were taken to prevent them from committing further offences. Prisons were 'clearly inappropriate places in which to keep juveniles on remand'.

The number of juveniles remanded to prison custody in England and Wales was 1,300 in the 12 months to the end of June 1990. This shows a decrease from the figure of 1,900 in 1987.

The Criminal Justice Act 1982 introduced statutory restrictions on the use of custody for convicted young offenders. Since then the number of known juvenile offenders dealt with by the criminal justice system has dropped from 164,000 in 1979 to 98,000 in 1989. In 1989 some three-quarters of juvenile offenders were cautioned by the police and kept out of court, compared with 50 per cent in 1979. The number of juveniles given custodial sentences decreased from about 8,000 in 1982 to just over 2,000 in 1989.

There are a number of schemes under which youths are remanded on bail by the courts and closely supervised in the community.

Source: Home Office news release, 4.2.91.

External Affairs and Defence

The Gulf Conflict

Support for British forces participating in the allied military campaign against Iraq was confirmed in a debate in the House of Commons on 21 January. British views on a future peace settlement in the Middle East were outlined by the Foreign and Commonwealth Secretary, Mr Douglas Hurd, in a speech on 2 February. Britain and other countries believe that Iraq has violated the Geneva Convention on the treatment of prisoners of war. International concern has also been expressed over the release by Iraq of a large oil slick in the Gulf, which poses a major environmental threat to the region.

PARLIAMENTARY DEBATE

In the House of Commons debate on 21 January, the Government moved a motion expressing 'its full support for British forces in the Gulf and their contribution to the implementation of United Nations resolutions by the multinational force, as authorised by United Nations Security Council Resolution 678' (see p 421, 1990). An Opposition amendment was accepted. This added that the House 'commends the instruction to minimise civilian casualties wherever possible; and expresses its determination that, once the aggression in Kuwait is reversed, the United Nations and the international community must return with renewed vigour to resolving the wider problems in the Middle East'. In the division, 563 Members of Parliament voted in favour and 34 voted against.

Prime Minister's Statement

Opening the debate (*Hansard*, Vol 184, No 38, cols 23-31), the Prime Minister, Mr John Major, stressed the responsibility of the Iraqi President, Saddam Hussein, for the outbreak of hostilities [on 17 January – see p 7]. He said that the Government was determined to ensure the defeat of Iraq and the implementation in full of the UN Security Council resolutions.

Iraqi Military Capability

Mr Major recognised that Iraqi forces in Kuwait had established strong defensive positions, manned by hundreds of thousands of troops and equipped with thousands of tanks and artillery pieces. There were also substantial numbers of Iraqi aircraft, helicopters and anti-aircraft defences. The élite Republican Guard units of the Iraqi armed forces were held in reserve on the borders of Iraq and Kuwait.

The Prime Minister said that over the previous decade Saddam Hussein had concentrated Iraq's economic resources on the build-up of an 'elaborate war machine', comprising sophisticated military communications, missiles and chemical and biological weapons. 'We should not for one second underestimate the scale and difficulty of the task which confronts our forces. Nor should we underestimate the time which it may take to complete this matter.'

Allied Strategy and Air Campaign

Commenting on the allies' strategy, Mr Major said: 'We have deliberately set ourselves the aims of keeping casualties to a minimum, both among our forces and among the civilian populations of Iraq and Kuwait, and of avoiding damage to sites of religious and cultural significance.' Such constraints were bound to lengthen the conflict.

The first priority of the multinational force, explained Mr Major, had been to engage and destroy military targets in Iraq

and Kuwait through a sustained air campaign. These targets included the Iraqi command and control system, communications, airfields, aircraft, missile sites, nuclear, chemical and biological facilities and other strategic sites. He added: 'As more and more military targets in Iraq are destroyed, the weight of the air campaign will shift increasingly to attacks on Iraqi ground forces in and around Kuwait.'

The elimination of Iraq's Scud missile delivery systems, both fixed sites and mobile launchers, was of particular importance in the light of attacks against Israel and Saudi Arabia. Although some 16 mobile launchers had been destroyed, the search for the remainder would continue by day and night.

The Prime Minister praised the part played by Royal Air Force Tornado and Jaguar aircraft in the air campaign, particularly the hazardous low-level attacks at night on defended airfields using the JP233 runway cratering weapons. He was also impressed by the way in which the air forces of seven nations – the United States, Britain, Saudi Arabia, Kuwait, France, Canada and Italy – were successfully working together. Aircraft losses so far were small in relation to the number of sorties flown.

Prisoners of War

Mr Major described as 'wholly objectionable in every respect' the Iraqi practice of displaying captured allied airmen, including British Tornado pilots, on Iraqi televison. He similarly condemned the reported threat to use captured airmen as human shields [at Iraqi installations to deter allied attacks]. 'Such action would be inhuman, illegal and totally contrary to the third Geneva Convention' (see pp 59-60).

The British Government had reminded Iraq of its obligations under the Convention, and Mr Major reaffirmed that, if war crimes were committed, those responsible would be held to account when the war was over.

British Ground and Naval Forces

Regarding British ground forces in the Gulf, the Prime Minister said that the build-up was continuing. On average, over 3,000 tonnes of supplies and equipment were arriving in the region every day in support of British forces. The Royal Navy was patrolling the waters of the Gulf on anti-aircraft duty, assisting in the enforcement of sanctions against Iraq, escorting shipping and keeping the shipping lanes free from mines. It had so far been responsible for challenging 2,800 ships and boarding 36 of them, and for destroying a number of mines.

Iraqi Missile Attacks on Israel

Mr Major described the Iraqi missile attacks on centres of population in Israel as 'utterly deplorable and wholly unforgiveable'. He recognised that it was Saddam Hussein's aim 'to draw Israel fully into the war in the hope of inflaming Arab opinion, breaking the multinational coalition and inciting a holy war'. However, there was no indication, said Mr Major, of any weakening of resolve among the Arab members of the coalition. They understood the threat posed by Iraq and knew that 'no one [had] been responsible for the deaths of more Muslims in Iran, Kuwait and Iraq than Saddam Hussein'.

Mr Major acknowledged the Israeli right to self-defence against Iraqi attacks, but he considered the restraint exercised so far by Israel to be a sign of strength rather than weakness. He hoped that the decision of the United States to supply Israel with Patriot missiles [as a defence against Iraqi Scud missiles] would allay Israeli security concerns.

Iraqi Terrorism

The Prime Minister recognised that the threat of Iraqi terrorism should be taken seriously. There was a risk of terrorist action in Britain, of terrorist attacks against British premises and communities abroad, and a more general threat to air travellers. The Government had consequently detained or deported members of the Iraqi community in Britain who were suspected of readiness to engage in terrorist acts. Also, security had been tightened at airports, government offices and public buildings, and at diplomatic premises abroad.

Peace and Future Security

Mr Major anticipated that frequent calls would be made for a pause in military operations to enable negotiations to take place. He did not wish to prolong the conflict, but

Britain could not agree to any suspension of hostilities which would allow Saddam Hussein to regroup and strengthen his position. Complete Iraqi withdrawal from Kuwait was the only basis on which to explore any proposals for peace.

Britain recognised that attention had to be paid to future security arrangements in the Gulf region which would avoid any repetition of Iraq's aggression. Mr Major said that it was for the Arab governments themselves to take a lead in devising such arrangements and in providing the forces to sustain them. He added: 'Those arrangements will almost certainly involve a contribution from countries outside the area: and if the Gulf states wish it, we will be ready to play our part.' He did not, however, envisage the permanent stationing of British ground forces in the region.

Arab-Israel Dispute

Mr Major stressed that the international community would need to renew its efforts to solve the Arab-Israel problem once the Gulf conflict was over. 'I believe that, once the war is won, there will be a general recognition by all parties to the Arab-Israel dispute that the time has come for some new thinking. We shall do everything we can to promote this.'

Conclusion

Concluding, Mr Major expressed satisfaction with the allied achievements in the first few days of the war. 'By any yardstick, it has been a good start. There is no doubt about the outcome. As every day passes, it becomes clearer that Saddam Hussein cannot win this conflict, but there is still some considerable way to go before he has lost it. It is important only that he should not doubt our resolve.'

Opposition Views

The Leader of the official Opposition, Mr Neil Kinnock, expressed his support for British forces in the Gulf. They were 'engaged in fighting for the lawful purposes set out in the resolutions of the United Nations Security Council'. He considered that the fulfilment of those resolutions was crucial to the future authority of the United Nations.

As soon as the 'basic purpose' of resolution 660 (see p 278, 1990) was properly fulfilled, Mr Kinnock hoped that the UN Security Council would take steps to end the conflict. He understood the humanitarian motives of those who sought an immediate ceasefire and renewed peace efforts. However, he considered that, unless a ceasefire produced an immediate and permanent Iraqi withdrawal from Kuwait and the complete laying down of arms by Saddam Hussein, such a pause would simply provide an opportunity for Iraqi forces to regroup and resupply for further resistance.

Looking to the future, Mr Kinnock said that any dismemberment of Iraq in the wake of the war would provoke rather than prevent instability in the Middle East. However, Iraq had to be substantially disarmed by the reduction of its conventional forces and the verified removal of chemical, biological and nuclear weapons and the means of making them. Stability in the Middle East demanded a system of collective security, operated through the United Nations, and built by the countries of the region.

Mr Kinnock pointed out that the surfeit of weaponry in the Middle East had become a cause of insecurity rather than a source of security. For several years Iraq, under Saddam Hussein, had been the second biggest importer of armaments. If aggressors were supplied with arms, he said, this would encourage aggression.

The leader of the Liberal Democrats, Mr Paddy Ashdown, concurred with the Government that the war was being fought for a new world order. British forces in the Gulf were upholding international law and the authority of the United Nations. He added: 'It will help both in the prosecution of the war and in the building of a just peace to follow if the allies begin to lay out the framework for that peace now.'

MILITARY AND OTHER DEVELOPMENTS

Foreign and Commonwealth Secretary's Speech

Commenting on the security of the Gulf, Mr Hurd said that the first task was the reconstruction of Kuwait, in which Britain would have a significant part to play. In parallel with this, the Gulf countries, helped as necessary

by their allies, would need to devise new structures to bolster their security. Their wealth and small populations made them attractive targets for aggressors. In addition, their control over large supplies of oil, on which the developed and developing worlds depended, made their stability 'a legitimate cause for concern beyond the region'.

Future Peace in the Gulf

Mr Hurd said that the existing Gulf Co-operation Council (see p 8) needed to be stronger and that the Gulf states would want to look at how they could live in a secure peace with their neighbours in Iran and Iraq and at whether there was a role for other Islamic countries in the Middle East region. The Gulf states in turn could have a role in helping to promote the economic stability of Muslim states which do not have large income from the sale of oil.

Britain was ready to play its part without, however, reviving a permanent British military presence east of Suez. '. . . with our allies we are naturally prepared to respond to suggestions about how best we can help to underpin the peace. This might include maintaining pre-positioned equipment, aircraft or a naval presence. But this should be a contribution to, rather than a cornerstone of, a coherent security structure in the area.'

Arab-Israel Dispute

Mr Hurd said that Iraq's invasion of Kuwait had made a settlement of the Arab-Israel dispute more difficult. Israel had been subject to 'outrageous provocations' by Iraq and had reacted with restraint and dignity to the unprovoked attacks on its people. The Palestine Liberation Organisation had undermined its credibility by acting as an apologist for Iraq and showing no concern for the right of the Kuwaiti people to self-determination. The invasion had also damaged the position of many Palestinians in the Gulf and cut their remittances to the West Bank.

There was, however, a need to return to the Arab-Israel question with urgency and vigour. 'The continuing Israeli occupation of the Occupied Territories, the lack of assured security for Israel and the injustice suffered by the Palestinians will continue to be main causes of instability in the Middle East.' The basis for a settlement was set out in UN Security Council resolution No 242 passed over 20 years ago. Under its provisions Israel had the right to expect security and acceptance of its right to exist; in turn, Israel had to understand the position of the Palestinians, who saw themselves as dispossessed.

Arms Control

Noting that countries had the right to defend themselves, Mr Hurd warned that the Middle East was 'in danger of descending into a terrible arms race including the spread of weapons of mass destruction'. He added: 'It is profoundly dangerous for world peace for chemical, biological and nuclear weapons to proliferate.'

Although the West had to enable the Gulf states to defend themselves, it had to exercise restraint in the supply of armaments to the region, especially components that could be used to manufacture weapons of massive destruction. Restraints would have to be effectively and vigorously policed, but it was also necessary to remove the motivation for the possession of armaments. Progress on arms control in the region was likely to be an integral part of durable settlements of its larger conflicts.

Peace Conference

Concluding, Mr Hurd said that the will to reach settlements was necessary if an international conference was to succeed. Middle East peace was of vital interest to the world community, for the region had persistently been the crucible for conflicts which threatened to ignite an ever-wider area. Once the fighting in the Gulf was over, Britain would not be laggard in its effort to make sense of the peace.

Military Campaign

On 31 January the Secretary of State for Defence, Mr Tom King, made a statement to the House of Commons on the course of the first two weeks of the war (*Hansard*, Vol 184, No 46, cols 1107-9). He explained that the allied aim was to establish air supremacy, reduce the military capability of the Iraqi armed forces and so achieve the liberation of Kuwait with the minimum of allied casualties. In the initial two weeks of the conflict more

than 30,000 allied air sorties had been flown with the loss of 19 aircraft, of which five were British.

Mr King said that the air campaign had denied the Iraqis the use of their airfields and suppressed their ground defences. Iraqi aircraft seeking combat had been shot down. Allied air supremacy, he said, had been underlined by the sudden departure of about 100 Iraqi aircraft to Iran.[1]

The allied air campaign had so far resulted in the destruction of all of Iraq's nuclear reactor capacity and about half of its biological and chemical weapons production. Substantial damage, said Mr King, had also been inflicted on Iraqi military fuel and ammunition stores, airfields, and command and control facilities. The Iraqis had lost centralised control of their air defences, and their capacity to launch Scud missiles was being progressively reduced. The resupply of Iraqi forces in Kuwait had been hindered by allied air attacks on bridges.

Despite these achievements, Mr King warned that Iraq's military capacity would have to be further reduced before the allies progressed to the liberation of Kuwait. To that end, the British Government had agreed to a United States request to base B52 bomber aircraft temporarily in Britain to undertake missions with conventional munitions against Iraqi military or strategic targets.

Mr King detailed successful allied engagements, involving British Jaguar aircraft and Lynx helicopters, against the Iraqi navy. Significant numbers of Iraqi patrol boats and minesweepers had been sunk or damaged. He considered that Iraq may have planned an amphibious attack to coincide with the land attack launched against the Saudi Arabian town of Khafji on 30 January.[2]

Mr King stressed that Iraqi prisoners of war would be held in conformity with the requirements of the Geneva Convention. He insisted that the Iraqi Government observe the same requirements. However, he regretted that the International Committee of the Red Cross had been neither informed by the Iraqi authorities of the names of any allied prisoners nor been granted the access to which it was entitled.

Referring to the strength of British forces in the Gulf, Mr King said that some existing units had been reinforced and that three additional battalions were being deployed in order to fulfil obligations to prisoners of war. The deployment of some Buccaneer aircraft had earlier been announced. The total number of British personnel committed to the Gulf would consequently increase to about 42,000.

Mr King explained that the full operating costs of the British deployment in 1990-91 so far totalled more than £1,250 million. This figure excluded the replacement cost of lost equipment and of spent munitions, which so far totalled nearly £200 million. The daily operating cost had risen to more than £4 million. He welcomed the agreement of the German Government [announced on 30 January] to contribute £270 million to Britain's costs.[1]

In a further announcement on 8 February, Mr King said that the Buccaneer aircraft in the Gulf would be reinforced to a full squadron. He estimated that the Iraqi battle-winning capacity had been reduced by about 15 to 20 per cent by the allied campaign.

European Community Position

In a declaration on 17 January, member states of the European Community expressed their regret that the use of force had become necessary to oblige Iraq to withdraw from Kuwait and to re-establish international legality. Iraq had only to comply with the UN Security Council resolutions to stop the conflict.

Member states reiterated their support for the objectives contained in the Security Council resolutions and expressed solidarity with the international coalition's forces in the Gulf.

Member states said that they would work for regional peace and stability once international legality had been re-established and they reaffirmed their commitment to the

[1] The Iranian Government, observing a policy of neutrality in the conflict, gave assurances that these Iraqi aircraft would be impounded until the end of hostilities.

[2] An Iraqi armoured advance into north-eastern Saudi Arabian territory was repelled by Saudi, United States and Qatari forces.

[1] Kuwait is providing £600 million towards British costs, and the United Arab Emirates has promised £250 million. Saudi Arabia, Japan, Hong Kong and other European and Commonwealth countries have also made contributions. The total promised is some £1,400 million.

convening of an international conference on the Middle East at the appropriate moment.

Following Iraq's first missile attack on Israel (see p 7), a Community statement on 18 January condemned the action as 'a cynical and deliberate provocation' and a further Iraqi violation of international law. The Community recognised Israel's right to security, but hoped that it would not be drawn into the conflict. Such restraint by Israel would be regarded as strength and not weakness.

In a further statement on 23 January, Community member states expressed concern about Iraq's use of allied prisoners of war and its intention to concentrate them near military bases and targets. They requested that Iraq respect all the Geneva Conventions relating to the conduct of war, particularly on the treatment of prisoners of war. Member states considered that 'illegal acts' perpetrated against prisoners of war constituted a war crime, and the Iraqi authorities would be held responsible.

US-Soviet Joint Statement

In a joint statement on the Gulf conflict at the end of January, the Soviet Foreign Minister, Mr Alexander Bessmertnykh, and the US Secretary of State, Mr James Baker, reiterated the commitment of their countries to the UN Security Council resolutions. They regretted that Iraq had rebuffed all peace efforts, and they considered that the military action authorised by the United Nations had been provoked by Iraq's refusal to comply with the demands of the international community for withdrawal from Kuwait.

Mr Baker stressed that the United States and its coalition partners sought the liberation of Kuwait and not the destruction of Iraq. There was no threat to Iraq's territorial integrity. The United States was striving to avoid civilian casualties and did not wish to expand the conflict. Mr Bessmertnykh acknowledged the United States position. He agreed that Iraq's withdrawal from Kuwait should remain the goal of the international community.

Both the United States and the Soviet Union continued to believe that a cessation of hostilities was possible if Iraq made an 'unequivocal commitment' to withdraw from Kuwait. Such a commitment had to be backed by 'immediate, concrete steps leading to full compliance with the Security Council resolutions'.

Mr Baker and Mr Bessmertnykh considered that a just peace was required involving security and real reconciliation between Israel, the Arab states and the Palestinians.

Commenting on the statement on 30 January, a Foreign and Commonwealth Office spokesman said that it reflected the British position and was another invitation to Iraq to comply with the UN Security Council resolutions.

Environmental Damage in the Gulf

In a statement to the House of Commons on 28 January (*Hansard*, Vol 184, No 43, cols 655-6), the Secretary of State for the Environment, Mr Michael Heseltine, condemned the deliberate release of oil by Iraq into the waters of the Gulf. He said that the consequent slick appeared to be the largest ever spilled and was moving down the Gulf. The spillage threatened birds and marine wildlife and local communities dependent for their livelihoods on the sea. He also stressed the threat to desalination plants and fresh water supplies in Saudi Arabia.

Mr Heseltine noted that action had been taken by the United States to stem the flow of oil.[1] He explained that Britain was urgently providing scientific expertise and equipment to help assess the likely movement of the slick and protect desalination plants and sensitive coastal areas. For the longer term, Britain was also considering how to assist in the clean-up and restoration of the habitats and human settlements affected by the pollution.

Mr Heseltine added that Britain would assist, through such bodies as the United Nations Environment Programme and the Organisation for Economic Co-operation and Development, in improving international preparedness and responsiveness to such environmental threats.

Geneva Convention on Prisoners of War

The British Government believes that the display and interrogation of allied prisoners of war on Iraqi television and their detention at strategic sites in Iraq is in breach of the 1949

[1] On 27 January, US aircraft bombed an oil pumping facility in Kuwait, from which the flow was controlled.

Geneva Convention Relative to the Treatment of Prisoners of War. The Convention, to which Iraq is a party, stipulates that prisoners of war must at all times be protected against acts of violence or intimidation and against insults and public curiosity. No physical or mental torture or any other form of coercion may be inflicted on prisoners of war in order to secure information of any kind from them.

The Convention also states that prisoners of war shall be evacuated out of danger as soon as possible after their capture. No prisoner of war may at any time be sent to or detained in areas where he may be exposed to the fire of the combat zone. Nor may his presence be used to render certain points or areas immune from military operations.

Iraq has so far failed to comply with its obligation to provide the names of any prisoners taken and to notify the International Committee of the Red Cross and provide it with access.

Iraqi Nationals in Britain

In the period between September 1990 and early February 1991 the Government served notice of intention to deport 164 Iraqis and 12 other nationals on the grounds that their presence in Britain was not conducive to the public good for reasons of national security. Of these over 80 left Britain before enforcement action was taken. Some 52 were being detained under immigration legislation and a small number were subject to restriction orders. Several detainees have since been released following advice from an advisory panel chaired by a judge. There are 35 Iraqis in the custody of the Ministry of Defence.

Upon the outbreak of hostilities in the Gulf, immigration controls on Iraqi nationals were tightened.

In a statement on 18 January addressed to Britain's Muslim community, the Home Secretary, Mr Kenneth Baker, said that the military action being taken against Iraq was on behalf of the Muslim nation of Kuwait with the support of other Muslim countries. He stressed that it was not an international disagreement based on religious differences. The United Nations was upholding Kuwait's right to independence and freedom, and the allied forces were deployed in the Gulf at the request of Muslim states.

Mr Baker emphasised that the differing perceptions held by some sections of the Muslim community in Britain of events in the Gulf should not be seen as calling into question their loyalty to their adopted country. He added: 'The right to hold different views is a fundamental freedom which all of us in Britain enjoy.'

On 6 February, Iraq broke off diplomatic relations with Britain and its main coalition partners.

European Community: Economic and Monetary Integration

Further developments relating to economic and monetary integration in the European Community were the subject of recent speeches by the Governor of the Bank of England, Mr Robin Leigh-Pemberton, and of a parliamentary statement by the Chancellor of the Exchequer, Mr Norman Lamont. The Government has also put forward suggested amendments to the Treaty of Rome that would bring into effect the British proposals on integration.

BRITAIN'S ECONOMY AND THE EXCHANGE RATE MECHANISM

The Governor of the Bank of England has called for the continued use of robust policies to subdue inflation and strengthen the British economy. Addressing a meeting of the Institute of Bankers in Glasgow on 14 January, Mr Leigh-Pemberton acknowledged that for over two years interest rates had been kept high to curb the resurgence of inflation caused by an excessive growth in domestic demand. Measures taken to reduce this growth had led to an easing of inflationary pressures and increased exports and import substitution. However, the slowing in domestic demand had also been reflected in falling levels of production. Some companies had failed as a result of this and, he suggested, 1991 would be a difficult year for British industry.

Mr Leigh-Pemberton understood why some people had proposed the lowering of interest rates or the exchange rate. However, he believed that such measures would only be a short-term solution to current economic difficulties and could compound the problems. 'The only way to achieve a durable strengthening in the domestic economy is by subduing inflation first; ... inflation ... makes us think of the short term ... and so it discourages fixed investment. It creates a false impression of rising values; a successful economy cannot be built on false impressions.' Inflation had affected savers and people living on fixed incomes, as well as businesses. However, despite the flattening out in the underlying rate of inflation, it was important not to relax anti-inflationary policies prematurely. Inflation had to be brought down and kept down.

The anti-inflation policy was strengthened by membership of the European Monetary System's exchange rate mechanism (ERM), which Britain had joined in October 1990 (see pp 338-9 and 378-80, 1990). It required discipline to keep sterling in line with other ERM currencies, and this created a clear framework for monetary policy. The ERM provided a greater stability for businesses, enabling them to become more effective in planning investment and to identify the constraints on product pricing and pay settlements.

Mr Leigh-Pemberton rejected the view that Britain's economy was suffering because the central parity figure of £1 = 2·95 Deutsche Mark was too high, requiring high interest rates to defend it. He believed that the central parity was not abnormally high when measured against other European Community currencies. Indeed, in real terms, the parity on entry was below the average prevailing over the previous decade. Britain was not, therefore, trying to defend sterling at an unrealistic level. Had Britain not joined the ERM, high interest rates would still have been necessary to control inflation. In fact, membership appeared to have had a calming effect on the foreign exchange market and might have helped to keep interest rates lower than they might otherwise have been.

High interest rates, he stressed, were necessary in achieving price stability through their impact on the level of demand. To change the policy on the ERM would mean abandoning the objective of price stability. When the markets came to appreciate this commitment, interest rates would be able to come down within the ERM.

Britain's long-term competitiveness depended on the ability of businesses to control costs and offer attractive, high-quality products. Past experience had demonstrated that a lowering of the exchange rate, in order to make industry more competitive, produced only short-term benefits and increased inflationary pressures.

In conclusion, Mr Leigh-Pemberton confirmed that businesses and policy-makers faced a very difficult economic climate, with a slow-down in the British and international economies. His advice was to take seriously the need to subdue inflation and to take account of Britain's commitment to the ERM when deciding on prices and wages. This, he believed, would be the quickest and least painful way to achieve lower interest rates and a permanently stronger economy.

EUROPEAN MONETARY UNION

Convergence

In a speech in Hamburg on 22 January the Governor emphasised the need for caution in the approach to European monetary union, stating that the economies of the participating countries would have to be sufficiently integrated to achieve successful union. Inflation, fiscal deficits and unemployment rates varied between the member states of the European Community, and monetary union imposed under such conditions would be a fragile entity. It would prevent exchange rate changes between currencies of Community countries and would entail a single official interest rate. Progression to the third stage of monetary union (in which exchange rates would be fixed and a single currency introduced) would have to be viewed as an irreversible step, since any reversal would lead to a 'massive disruption to our continent's monetary system'. Mr Leigh-Pemberton firmly believed that the risks of moving prematurely to a single currency far outweighed the costs of delaying monetary

union until greater economic union had been achieved.

Successful monetary union would depend on two factors. First, it was necessary to achieve durable convergence – and not just a temporary alignment – of key indicators, such as inflation rates, interest rates and budget balances. Secondly, the economies of the European Community would have to achieve a high degree of structural integration. This would mean a high level of trade and investment between them, along with good mobility of capital and labour across frontiers. Until structural integration could be fully achieved, there would be value in retaining the discretion to set different interest rates in different parts of the Community. If monetary union took place prematurely, a likely consequence would be the need for special regional transfers on a large scale, to provide financial assistance to the poorer areas of the Community. Extensive transfers of this nature would be likely to prove politically unacceptable in the 'contributor' member states.

Parallelism

Parallelism – whereby a country would take steps towards greater monetary integration when it was economically feasible – was a method of preparing for monetary union that had been emphasised by the Delors Committee (see p 271, 1989). The Governor thought that it would be possible to adopt an approach to monetary union based on parallelism. This would be likely to encourage economic convergence and integration, so allowing further steps towards union.

Three possible approaches to monetary union beyond stage one merited consideration:

1 The intensification of co-ordination and co-operation among central banks within the European Community.

2 The strengthening of the mechanism of the ERM. This could be achieved by means of a 'hard' ECU (European Currency Unit – see p 243, 1990), for which there were various proposals from several countries.

3 The establishment of an institution with real operational functions that might become the basis of a European system of central banks for stage three of monetary union.

The Governor believed that these three approaches were not mutually exclusive. Britain's favoured approach – the establishment of a European Monetary Fund (EMF – see p 242, 1990) to issue and manage the hard ECU – would combine the best features of all three.

Britain's Proposal

The British proposal offered four advantages:

1 The introduction of the hard ECU as a common currency alongside existing currencies of the European Community would offer businesses and individuals the opportunity to become familiar with the concept of supranational money. Consumers would be offered a real choice, and the level of usage of the hard ECU would demonstrate the popularity of a common currency within the European Community. Such an evolutionary and market-based proposal would prove a useful guide when judging the timing and nature of further institutional change.

2 The creation of an EMF to manage the hard ECU would address the problem of achieving an effective transition to the third stage of monetary union. Britain's hard ECU proposal would avoid an abrupt change from 12 currencies to a new single currency and a sudden transfer of responsibility from 12 national central banks to a new European central bank. Through its operational role of managing a hard ECU during stage two, the EMF would build up credibility as a fully functional institution. Such credibility would be of great value, were the hard ECU later to become the single currency of the European Community.

3 The hard ECU would be maintained by the EMF as a non-inflationary currency and with the aim of convergence towards stable prices. It would be defined so that it could never be devalued against other ERM currencies in a realignment. Its value would match that of the hardest currency in the European Community and it would become a standard of the best inflation performance. This would be an advantage over the existing 'basket' ECU, which reflected average inflation performance.

The hard ECU system would operate in a similar way to the ERM, which uses the Deutsche Mark as the anchor currency. The hard ECU would take on the function of the Deutsche Mark, as it would not be politically feasible for an existing national currency to become the new single currency. When hard ECU interest rates rose, holders of weak national currencies would be encouraged to exchange them for hard ECUs. This would put national central banks under pressure to tighten their domestic policy, to stem the flow of national currency into hard ECUs. In this way, the appropriate stance on monetary policy would be restored within the European Community.

4 The Government's draft statutes for the EMF, published in December 1990, provide for a broadening of its role over time, by agreement within the Council of Ministers. The role of the EMF would be to manage the hard ECU while existing national central banks would retain responsibility for managing their currencies during stage two. If stage two were based on a European system of central banks, there would be a risk of confusion in the responsibility for the conduct of monetary policy.

In conclusion, Mr Leigh-Pemberton confirmed his belief in the British proposal for advancing beyond stage one of monetary union. It had generated much interest and merited serious debate in the European Community. It was now essential to 'debate carefully and openly how to progress beyond stage one in a way that benefits the Community'.

PARLIAMENTARY STATEMENT

Implications of monetary union were the subject of a statement in the House of Commons on 24 January (*Hansard*, Vol 184, No 41, cols 470-9) by the Chancellor of the Exchequer. Mr Norman Lamont confirmed that Parliament had a 'deep and legitimate interest in the issues raised by economic and monetary union'. The Government could not accept any changes to the Treaty of Rome which would bind Britain to move to a single currency or a single monetary policy. Only Parliament should decide such matters.

Britain's Position

The Government welcomed proposals contained in the Delors Committee report (see p 271, 1989) for stage one of monetary union, such as the completion of the single market and a single financial area, free movement of capital throughout the European Community and a strengthened competition policy. However, Britain did not fully agree with proposals for development beyond stage one, in particular the proposal that the 12 member states should, in their current state of economic development, pledge themselves now to move to a single European currency. The Government believed that such a commitment would be wrong. 'Profound issues of sovereignty' were involved and it would be unwise to become committed to a rigid structure for monetary union while the future was still uncertain.

The Government believed that the way forward was to build on the experience of economic and monetary integration, proceeding towards closer links with practical steps that all member states would agree on. Monetary union should not be equated with a single currency; it was a gradual process. As it proceeded, the experience of the participants would increase and they would be better placed to take decisions about the future. Britain believed that monetary union should be achieved through a natural evolutionary process determined by markets, individuals and businesses.

Intergovernmental Conference

Amendments to the Treaty of Rome would be necessary to implement the later stages of monetary union. An intergovernmental conference (IGC) had started in December 1990 to oversee this. The IGC would hold monthly ministerial meetings plus fortnightly meetings of officials. The IGC would be chaired by the Community Presidency – Luxembourg in the first half of 1991 and the Netherlands in the second. While no date had been set for the conclusion of the IGC, it had been agreed at a European Council meeting in Dublin in April 1990 (see pp 164-6, 1990) that member states should ratify Treaty amendments by the end of 1992. Mr Lamont had attended the opening meeting of the IGC, at which all

member states had agreed on the main objective of achieving price stability.

Sovereignty

The Chancellor emphasised that the key objective for Britain was, through the IGC, to reach an agreement with its European partners that would fully respect the sovereign rights of Parliament. Britain was seeking Treaty amendments that did not impose a single currency; that incorporated Britain's ideas for a common European currency managed by the EMF; and that allowed continued national responsibility for the main elements of budgetary policy. The Delors report recommended the imposition on member states of binding rules that would limit the size of budgetary deficits. Mr Lamont stated: 'This would mean that the House of Commons would no longer be sovereign on matters of taxation or public expenditure or both – a position that we could not accept.' National governments should bear responsibility for such decisions within the disciplines created by the financial markets. A rule could be introduced to outlaw the financing of national debt by printing money and by European Community support. Mr Lamont confirmed that the majority of member states stood together with Britain on this key issue.

AMENDMENTS TO THE TREATY OF ROME

On 8 January the Chancellor submitted to the Luxembourg Presidency of the Community Britain's proposed amendments to the Treaty of Rome that would allow for the implementation of British proposals for a hard ECU and an EMF.[1]

The Baltic Republics

Britain has condemned the use of force against unarmed civilians in the Soviet republic of Lithuania and also the use of coercion against the elected assemblies in the three Baltic republics of Estonia, Latvia and Lithuania.

Background

The independent Baltic states of Estonia, Latvia and Lithuania were annexed by the Soviet Union in 1940. In elections to the Lithuanian Supreme Soviet in 1990, the nationalist movement, *Sajudis*, won nearly 70 per cent of the seats. In March 1990 the new Lithuanian Parliament declared unilateral independence from the Soviet Union. In April the Soviet Union imposed economic sanctions against the republic; these were lifted in early July, when the Lithuanian Soviet suspended its independence declaration. In March and April 1990 respectively, Estonia and Latvia also declared their independence, to take place only after a period of transition.

In early January 1991, Soviet paratroops occupied a number of public buildings in Lithuania and Latvia; later, on 7 January, the Soviet Defence Ministry announced additional measures to enforce compulsory conscription in Lithuania.

On 12 January, Soviet troops occupied a broadcasting centre in Vilnius, the capital of Lithuania; shots were fired and at least 13 people were left dead and many hundreds wounded.

Two days later, a military ultimatum was issued to Latvia, demanding its Government to return to the Soviet constitution. Units from the Soviet Interior Ministry seized a government building in Riga, Latvia's capital, in which four or five civilians were killed and some nine wounded. On 15 January pro-Soviet workers in Riga and Tallinn (the capital of Estonia) called for general strikes to bring down all the Baltic republican governments.

In a statement on 22 January the Soviet President, Mr Mikhail Gorbachev, said that the Baltic republics had to repeal their anti-constitutional laws and other government 'decisions'; 'discriminatory measures' against the military had also to be stopped. Noting, at the same time, that unauthorised actions by Soviet troops were 'impermissible', he urged the troops to show restraint and resist provocation. Further, he emphasised that the 'gains of *perestroika*, democratisation and

[1] *Economic and Monetary Union – Beyond Stage 1: Possible Treaty Provisions and Statute for a European Monetary Fund. Proposals by the UK Government.* Available free from HM Treasury, Parliament Street, London SW1P 3AG.

glasnost were and remain permanent values which will be guarded by presidential power'. On 1 February, Mr Gorbachev set up delegations to discuss economic, political and social issues with each Baltic republic.

British Reaction

In a statement in the House of Commons on 16 January (*Hansard*, Vol 183, No 35, cols 851-8), the Foreign and Commonwealth Secretary, Mr Douglas Hurd, said that the British Government had condemned the use of force by the Soviet army against unarmed civilians in Lithuania on 12 January. It also opposed the use of coercion against elected assemblies in the Baltic republics.

At a meeting on 14 January, Mr Hurd continued, the European Community had decided that its co-operation talks with the Soviet Union (see pp 13-14) would have to be suspended if the situation prevailing in Lithuania was prolonged or extended to the other Baltic states. As well as reviewing its bilateral relations with the Soviet Union, Britain joined its European Community partners in proposing to raise the rights of the Lithuanians at two Conference on Security and Co-operation in Europe (CSCE) meetings in Valletta on the peaceful settlement of disputes [which began in January – see pp 417-19, 1990] and in Vienna [in July 1991 on national minorities]. Mr Hurd pointed out that the Soviet Government had undertaken at the Paris Charter to extend the scope of its obligations towards its subjects and, in particular, its minorities.

The Government also believed, Mr Hurd stated, that 'only free negotiations, based on democratic principles' could provide a lasting solution to the problems of the Baltic peoples. Although it was in Britain's interest to support President Gorbachev 'the reformer, *perestroika* and the changes in foreign policy', Britain would not continue with its help and co-operation if he relied on people wanting to reverse reform. The future of the people of the three Baltic republics rested on 'the recognition by the Soviet Union of their rights and negotiation on all the practical matters that flow from that'.

In the House of Commons on 29 January (*Hansard*, Vol 184, No 44, cols 788-90), the Prime Minister, Mr John Major, said that Britain had 'invested a great deal of time and effort ... in improving the relationship and atmosphere with the Soviet Union'. Events in the capitals of Lithuania and Latvia were 'quite unacceptable'. While Britain had to wait for further information, it had to make it clear to the Soviet Union that its support for Mr Gorbachev was 'support for him and his reforms, not for repression'.

European Community and NATO Response

On 14 January, European Community ministers said that the use of force in Lithuania was unacceptable. Co-operation with the Soviet Union could take place only on the basis of shared values and objectives. Their statement continued: 'That is why the Community and its member states insist that the situation which prevails in Lithuania should not be prolonged in any way or extended to the other Baltic States. Otherwise, they would have to draw the conclusion that it was necessary to react through appropriate measures and to suspend the implementation of the European Community's co-operation with the Soviet Union.'

In a statement issued on the same day, the North Atlantic Council said that the allies agreed that the continuation of these alarming developments, in particular the use of force, would have negative consequences for the political situation in Europe as a whole and on their relations with the Soviet Union.

Overseas Development Loans

Britain's contributions to the ninth replenishment of the International Development Association and to the Caribbean Development Bank were given parliamentary approval in January.

International Development Association

In a debate in the House of Commons on 14 January (*Hansard*, Vol 183, No 33, cols 691-6), the Minister for Overseas Development, Mrs Lynda Chalker, said that Britain's share of the ninth replenishment of the International

Development Association (IDA) was to be £619 million.

Set up in 1960, the IDA, which is part of the World Bank Group, provides highly concessionary loans to developing countries unable to receive loans on conventional terms. IDA loans are funded by donors' contributions. In addition, an increasingly important supplementary source of funds is IDA reflows – repayments of earlier loans used again to help finance new ones.

Mrs Chalker explained that the goal of the World Bank was to promote economic progress among its borrowers so that they were fully able to turn to the world's financial markets to meet their needs. The IDA, in turn, aimed to bring its borrowers to the point where their needs could be met by the World Bank. Although many countries had benefited from IDA loans (Ecuador, Korea, Thailand and Turkey, for instance), most of the poorest countries of Africa and Asia would continue to need substantial and highly concessional aid flows for many years to come. IDA resources were also important for other countries (including India, the People's Republic of China, Nigeria and Pakistan) which received a mix of World Bank normal and concessionary loans.

Britain's Aid Objectives

Mrs Chalker said that channelling funds through the IDA was an effective mechanism to advance Britain's own aid target of helping sustainable economic and social progress, especially in the poorest countries. In addition to providing for specific projects within individual countries, a proportion of IDA resources was used for non-project lending, mainly structural and sectoral adjustment loans (see pp 345-6, 1990). This provided vital foreign exchange to help finance essential imports needed to implement economic reform programmes agreed with the international donor community.

Although there would be a decline in the need to use concessional aid for general balance-of-payments support as the process of adjustment proceeded, Mrs Chalker explained that sectoral investment and project lending would continue to be needed to help sustain the growth that reform programmes were aiming to achieve. Up to 30 per cent of resources from the ninth replenishment could be used for non-project lending, but the impact of the Gulf crisis would almost certainly intensify the need for adjustment efforts in many developing countries (see pp 54-60).

British Contribution

Commenting on a White Paper regarding the new IDA replenishment,[1] Mrs Chalker said that the IDA lending programme would rise to some $17,000 million ($15,000 million plus the recycling of repayments on earlier loans). Britain would contribute 6·7 per cent (£619 million), which is being paid over three years from 1990.

IDA Negotiations

Britain welcomed the fact that, during the negotiations for the new replenishment, donors had underlined the importance of poverty reduction as the IDA's central concern. Greater emphasis was also to be given to people and their environment. 'Development will not happen if people remain uneducated and unhealthy and with insufficient access to resources', Mrs Chalker said. She added: 'Development will not be sustainable if we do not take steps to protect our environment.'

Britain had taken the lead in the negotiations in urging the World Bank to do more to help with the revised forestry action plan (see pp 427-9, 1989). Furthermore, greater attention was to be devoted to trying to bring down the rate of population growth. 'A better life for all is just not possible if economic growth is outstripped by the growth in population.The prospects for sustainable development are greatly diminished when over-population leads ... to environmental degradation.'

Donors were also insistent that IDA resources had to be used effectively and that each country's performance had to be an increasingly important factor. The lenders had to ask whether government or public institutions were properly addressing the

[1] *International Development Association: Ninth Replenishment of IDA Resources.* Report of the Executive Directors dated 30 January 1990. Cm 1325. HMSO, £4·75. ISBN 0 10 113252 2.

country's needs. 'Sound economic management, broadly based development, including the reduction of poverty and real efforts towards sustainable long-term development are all critical – in other words, good effective government.'

IDA Resources to Africa

Many donors were concerned above all that IDA resources should be directed towards the poorest countries, particularly in Africa, Mrs Chalker said. It had been agreed that up to 50 per cent of the last IDA replenishment (the eighth) ought to go to Africa; the same proportion would be kept for the ninth replenishment. Although the Government noted the recognition given by the IDA to the needs of the large developing countries in Asia, it was Africa which continued to face exceptional difficulties, including famine (see p 423, 1990).

Gulf Crisis

Mrs Chalker said that the effects of the Gulf crisis were severe for most developing countries. Apart from the increase in oil prices, these countries were also suffering in other ways, notably from the loss of remittances from expatriate workers and from the problems of reabsorbing those workers into their home economies. Some countries with average incomes just above the normal upper limit for IDA assistance were among those worst hit. However, the World Bank hoped to be able to help several of these countries, mainly by the accelerated use of donor commitments both to the ninth replenishment and to earlier replenishments that were not fully paid up. Voluntary contributions from donors would also be used.

Caribbean Development Bank

The House of Commons also approved Britain's further contribution to the Caribbean Development Bank of $20·9 million. This followed an agreement in May 1990 to increase the Bank's capital by $200 million.

Formed in 1970 with capital of £235 million to promote economic and social growth in the Caribbean region, the Bank has a special development fund. Resources from the fund are lent on concessional terms, mainly to the poorer countries in the region or to those with special difficulties. In addition, it borrows on the international financial market on the security of capital stock.

Shorter Note

UNITED STATES FORCES IN BRITAIN

Under North Atlantic Treaty Organisation (NATO) plans for the restructuring of alliance nuclear forces (see pp 237-9, 1990), some United States nuclear forces, including aircraft which carry both nuclear and conventional weapons, are to be withdrawn from Britain between 1992 and 1994 and their bases closed.

In a statement in the House of Commons on 5 February, the Secretary of State for Defence, Mr Tom King, announced that because the United States would, by the end of 1991, no longer need to maintain its submarine support facility at Holy Loch in Scotland, this base would be closed sometime in 1992. This follows the United States decision to accelerate the withdrawal from service of its Poseidon nuclear missile submarines. Their deterrent role is being superseded by a more modern submarine, equipped with Trident II nuclear missiles, which would not require a forward-operating base in north-eastern Europe.

Mr King announced that the United States would also withdraw its F-111 fighter/bomber aircraft, stationed at RAF Upper Heyford and RAF Lakenheath, although some of these aircraft would in future be deployed in Britain for some six weeks each year for exercises and training. The Secretary of State said that these US aircraft would remain committed to NATO and would be deployed in Britain in crisis or war. Under NATO plans, smaller numbers of US F-15E aircraft, which can carry both nuclear and conventional weapons, will be deployed at RAF Lakenheath from 1992. The net effect, Mr King concluded, would be fewer but more modern dual capable aircraft in Britain.

Source: *Hansard*, Vol 185, No 49, cols 161-71.

Economic and Scientific Affairs

Export Credits

The Export and Investment Guarantees Bill, which provides for the privatisation of part of ECGD, the official export credit insurer, has been given a second reading in the House of Commons. The Government has described the proposals as 'the most radical and comprehensive review of ECGD since its establishment over 70 years ago'.

The Bill was given a second reading on 22 January (*Hansard*, Vol 184, No 39, cols 176-260) by 283 votes to 223, a government majority of 60.

GOVERNMENT VIEW

Background

Outlining the background to the legislation, the Minister for Trade, Mr Tim Sainsbury, said that ECGD (Export Credits Guarantee Department) had protected British exporters against the financial risks of selling abroad for over 70 years, during which time it had supported over £250,000 million of exports. It had functioned as a government department, reporting to the Secretary of State for Trade and Industry. The operations fell into two separate businesses: the Cardiff-based Insurance Services Group, which handled exports sold on short-term credit, and the London-based Project Group, which handled exports of capital goods sold on medium- and long-term credit.

For the Insurance Services Group, the major recent development had been the increasing concentration of its business on exports to the European Community and the growing competition between European insurers for this business. These trends were certain to continue. There was also the threat of a possible legal challenge to business involving European Community and Organisation for Economic Co-operation and Development countries on the basis of its being a state aid incompatible with the Treaty of Rome. With regard to the Project Group, the trading environment had been dramatically changed by the world debt crisis and its aftermath (see pp 346-7, 1990). This had taken ECGD's trading accounts into substantial deficit and had significantly reduced the volume of business compared with the 1980s.

Review and Inquiry

In August 1988 a review of ECGD was initiated to identify whether any changes were needed to enable it to serve better the needs of British exporters, particularly after 1992 and the completion of the single European market (see p 376, 1990).

The review was published in June 1989 (see p 241, 1989). Its main recommendation was that the insurance business should be separated from ECGD and converted into a government-owned company with a view to eventual privatisation. However, ECGD's other activities should continue to be provided by the Government. The review also recommended a reinsurance link between the new company and ECGD, which would allow the company to place certain risks with ECGD that could not be reinsured on the private market.

Mr Sainsbury went on to say that the House of Commons Committee on Trade and Industry had conducted an inquiry into the future of ECGD. The vast majority of the evidence submitted to the Committee had

supported the recommendations of the review. In December 1989 the Government announced its broad acceptance of these recommendations (see p 22, 1990).

Privatisation

The Minister pointed out that the need to privatise the Insurance Services Group was not solely for purposes of competition but was also because of the other two influences – 1992 and possible breaches of the Treaty of Rome.

The Government had insisted that the Group should be run as a business and not as a subsidy for exporters, which would constitute a breach of the Treaty. However, though competition was welcome, it was also essential that the Group was not competing 'with one hand tied behind its back'. The creation of a single market meant that exporters and their insurers increasingly regarded the European Community as an enlarged domestic market, with the distinction between domestic and export credit becoming blurred. Private insurers were offering policies covering both domestic and export trade. The Insurance Services Group was prevented by statute from offering such policies. As the Government would naturally not wish to widen the powers of ECGD to offer domestic credit insurance in competition with the private sector, the Group would itself have to become a private sector body in order to compete effectively.

These 'compelling reasons' for privatisation were reinforced by the risk of a Treaty breach. Almost every member state of the Community was working on the assumption that state-financed insurance services might be prohibited; they were therefore reorganising them so as to eliminate state control.

'Clearly, the status of the Insurance Services Group must be changed to meet those legal and business challenges, but also to meet the huge opportunities which await it. . . . The chance exists for the company to develop into a major force in the European Community, bringing substantial benefits to the United Kingdom and to the south Wales economy.'

Mr Sainsbury was anxious to clarify two possible areas of misunderstanding. First, he reassured the House that support from ECGD for the new company would be available for business in those countries where private market capacity did not exist. Secondly, ECGD would continue to cover project exports despite the losses that it incurred in this area because of the world debt crisis.

The Bill

The Bill had two main purposes: to update the legislation governing ECGD and to privatise the Insurance Services Group.

The Export Guarantees and Overseas Investment Act 1978 had 'begun to show its age'. This was especially marked in the way in which it prevented ECGD from taking full advantage of the latest techniques and instruments available in the financial markets. This meant that it could not manage the assets and liabilities that it had acquired in the normal course of business as well as it would like. The Act would be repealed and replaced by the relevant parts of the new legislation. The Minister emphasised that this implied no fundamental change in the role of ECGD; rather, its new powers should enable it to do its job better.

In order to avoid unnecessary uncertainty, the planned sale of the Insurance Services Group to the private sector would take place as soon as practicable after the new company had been set up. This would be by way of a trade sale rather than a public flotation. A trade sale, Mr Sainsbury pointed out, offered the best prospect of securing a purchaser that would understand and be committed to 'this complex business and bring to it strong financial resources'. A short list of prospective bidders that had expressed an interest would be compiled and they would be invited to submit definitive bids.

OPPOSITION VIEW

For the official Opposition, Ms Joyce Quin said that the Bill seemed 'to be privatisation for privatisation's sake'. She expressed concern that the Government was cutting back on an export service at a time when other European countries, including Britain's major competitors in France and Germany, were not doing so. The measure came at a time when support for British exports was particularly important, with a large overseas trade deficit, high inflation and interest rates

and the pound at a difficult level for exporters.

Ms Quin questioned the suitability of some of the prospective bidders and the market consequences of their acquiring the Insurance Services Group. If, for example, ECGD's main competitor, Trade Indemnity, acquired the Group, she questioned whether there would be a referral to the Monopolies and Mergers Commission because of Trade Indemnity's dominant market position.

The consequences of the proposed sale on the rest of ECGD were also causing the Opposition 'considerable anxiety'. There was a fear among exporters that, with the sale of the Insurance Services Group, the remainder of ECGD would be starved of public funds.

Concluding, Ms Quin said that the Government had once again shown itself to be 'the anti-industry party which, for short-term and cost-cutting considerations, is prepared to sacrifice our long-term economic well-being'.

Agriculture and Forestry

The report *Agriculture in the United Kingdom 1990*, published on 21 January, includes statistical detail on crops and livestock, and information on incomes from agriculture. It surveys policy developments within both Britain and the rest of the European Community.

In its annual report for 1989-90, the Forestry Commission has noted that wood production from Great Britain's forests has nearly doubled since 1955.

AGRICULTURE

The contribution of agriculture to gross domestic product (GDP) during 1990, says the report,[1] is provisionally estimated at £6,378 million at current prices (representing 1·4 per cent of GDP), compared with £6,217 million in 1989 (1·5 per cent of GDP). Self-sufficiency in food and feed is estimated at 56 per cent of all food and feed and at 73 per cent of indigenous type food and feed.

[1] *Agriculture in the United Kingdom: 1990.* HMSO, £11·45. ISBN 0 11 242900 9.

Structure of the Industry

At June 1990 agricultural land in Britain covered 18·5 million hectares,[1] 77 per cent of the total land area. Of all farm holdings, estimated at 237,400, the 30,000 (just under 13 per cent of the total) in the largest size group accounted for 57 per cent of agricultural activity. Only 2·5 per cent of activity came from the 97,300 holdings (some 41 per cent of the total) in the smallest size group. The average farm size was 104·7 hectares, 2·6 hectares down on 1989.

Some 561,000 people were engaged in agriculture in 1990 – 2·1 per cent of the total workforce – compared with 568,000 – 2·2 per cent – in 1989. The number of farmers, partners and directors, about 279,000, was slightly higher than that of family and hired workers (excluding salaried managers). Whole-time hired workers have continued to decline, to 93,000, compared with 97,000 in 1989. The number of part-time workers grew, to 60,000, compared with 58,000 in 1988.

At the end of 1989 the industry's capital stock amounted to some £24,000 million at 1985 prices (compared with £24,290 million at the end of 1988), of which buildings and works made up nearly two-thirds. Total capital stock has been declining for a number of years, although it remains above its 1979-81 level. There have been continuing declines in plant and machinery, and in vehicles, but a modest increase in buildings.

Developments in 1989

European Community

1 The 1990 price-fixing maintained the Common Agricultural Policy (CAP) reforms agreed in 1988 (see pp 59-60, 1989). In general, common prices were frozen, although there were some changes, mainly for Mediterranean products. The citrus and tobacco regimes were tightened. Measures were adopted to help smaller farmers and those in disadvantaged areas. These included an additional 4 ECUs (European Currency Units) on the annual ewe premium in less favoured areas (see p 115, 1990).

2 Green pound devaluations raised the level of support prices in Britain by 8·5 per cent in the beef sector, 10·7 per cent for

[1] 1 hectare = 2·4711 acres.

crops, 6·8 per cent for milk and 11 per cent for sheepmeat. The appreciation of sterling since spring 1990 has led to a further marked reduction in British negative monetary compensatory amounts (which aim to even out the farm income discrepancies between countries caused by currency changes – see p 60, 1989). Stabilisers led to reductions in various common prices set by the Community, including those for oilseed rape (15·5 per cent), sunflower seed (21 per cent), peas and beans (20 per cent), sheepmeat (11 per cent in Great Britain) and cauliflowers (4 per cent).

3 In June 1990 a Community voluntary scheme agreed that set-aside land (see p 289, 1990) could be used to produce cereals for industrial consumption. Farmers who set aside at least 30 per cent of their arable land, and contract to supply cereals for industry, may grow them for that purpose on a maximum of 50 per cent of the set-aside area. Cereals thus produced will count towards the maximum guaranteed quantity under the cereals stabiliser rules.

4 In October 1990 the Community made proposals on agriculture and the environment, which would introduce significant changes to the rules for extensification (see below), set-aside and Environmentally Sensitive Areas (see p 115, 1990).

Uruguay Round

All parties to the eighth round of General Agreement on Tariffs and Trade (GATT) multilateral trade negotiations (see pp 22-3) offered to reduce agricultural support. The Community's offer was a 30 per cent reduction in internal support over 1986-96 and associated reductions in tariff and non-tariff barriers and in export subsidies. It was not possible to conclude the negotiations by the end of 1990.

Britain

1 The code of practice for the safe use of pesticides on farms and holdings (see p 195, 1990) emphasises the need to protect both human health and the environment. It gives guidance on user training and certification, the protection of wildlife and wild plants, and other matters.

2 Some 65 per cent of eligible farmers have put forward over 5,600 hectares for the ten nitrate sensitive areas (see p 184, 1990), out of a designated total of 11,000 hectares. In nine nitrate advisory areas (20,000 hectares), farmers are encouraged to follow practices designed to reduce nitrate leaching at little or no cost to themselves.

3 Pilot beef and sheep extensification schemes were launched in July 1990. Farmers receive annual compensation payments to reduce output by at least 20 per cent and to maintain the reduction over a five-year period. By the end of November 1990, 149 applications had been received for 105 places. Participants will also be required to maintain environmental features such as walls, hedges, ponds and unimproved grassland. It is intended to launch national schemes later in 1991.

4 The terms of the Set-Aside Scheme were amended in 1990 to include a requirement for a second cut of plant cover on fallow land, a greater number of features which participants have to maintain and a limited grazed fallow option. Applications cover a further 31,000 hectares for the 1990-91 crop year.

Commodities

Cereals and Other Crops

In 1989 cereals were grown on 3·68 million hectares, compared with 3·86 million in 1988. The area of wheat stayed at over 2 million hectares. Production of cereals, at 22·6 million tonnes, was almost the same as in 1989; wheat output, at just under 13 million tonnes, was slightly lower than in 1988.

Production of oilseed rape is estimated at 1·23 million tonnes in 1990, an increase of 26 per cent on 1989. Community production has risen from 4·97 million tonnes in 1989 to an estimated 5·84 million tonnes in 1990. Under the stabiliser mechanism, the target price has been cut by 15·5 per cent for the 1990-91 marketing year compared with a 3·1 per cent cut in 1989-90. The support price in Britain for 1990-91 is 3·2 per cent (£9·94 a tonne) lower than in 1989.

The area of sugar beet harvested in 1990, expected to be 194,000 hectares, is the same as in 1989. White sugar production, estimated to be 1·25 million tonnes, compares

with 1·27 million tonnes in 1989. Some 72,000 tonnes of white sugar produced in excess of quota in 1989 were carried forward into 1990 (see p 116, 1990). Total supply is expected to be considerably above the maximum quota of 1·14 million tonnes set for Britain under the Community sugar regime.

Production of peas and beans for stockfeed (from 277,000 to some 284,000 tonnes of peas and from 450,000 to some 465,000 tonnes of beans) reflects a Community production rise from 4·14 million tonnes in 1989 to 4·38 million tonnes in 1990. Under the stabiliser mechanism, the price has been reduced by 20 per cent for 1990-91. Total potato production in Britain increased from 6·2 million tonnes in 1989 to 6·4 million tonnes in 1990. Amendments to the Potato Marketing Scheme, to give non-producers a greater influence in marketing decisions, came into force in August 1990. Given the Government's intention to abolish guarantees (see p 60, 1989), the industry is being called upon to bear a greater share of the cost of its price support arrangements.

Horticulture

The area devoted to horticulture in 1990 was 203,000 hectares, compared with 208,000 hectares in 1989. The hot, dry summer resulted in generally high salad crop levels. Tomato yields and prices improved through the year so that outputs were similar to those achieved in 1989. Withdrawals, however, were slightly higher. The decrease in the area devoted to field vegetables continued. Prolonged dry weather again affected supplies, but with no significant effect on returns.

The area devoted to top fruit continued to decline, with production reduced by spring frosts and lower temperatures. Output of apples is estimated at 288,000 tonnes, compared with 391,000 tonnes in 1989.

Livestock

The size of the beef-breeding herd continued to rise, reaching its highest level (1·6 million) for 11 years. The depressed state of the beef market throughout the Community, says the report, reflects such concerns as bovine spongiform encephalopathy (see pp 219-20, 1990) and the Gulf crisis (see pp 3-10 and 54-60). Special intervention (see p 73) arrangements (the 'safety net'), which apply when the beef market is particularly depressed, were opened in Britain in June 1990. As a result, intervention stocks had increased to 94,000 tonnes by mid-November from 11,000 tonnes at the end of 1989.

Provisional figures for 1990 show 12·1 million cattle and calves compared with 12·0 million in 1989, and output of home-produced beef and veal of 991,000 tonnes in 1990 compared with 972,000 tonnes in 1989. Sheep and lambs increased from nearly 43 million in 1989 to 44·2 million, and the breeding flock expanded by 3 per cent. Domestic production of sheepmeat in 1990 is estimated to have been nearly 2 per cent higher than in 1989. Exports are estimated to have been about 8 per cent less than in 1989 and supplies to the home market to have stabilised. Pigmeat production is estimated at 935,000 tonnes, compared with 922,000 tonnes in 1989.

Over 1 million tonnes of poultrymeat were supplied, compared with 997,000 tonnes in 1989. With demand for chicken continuing to rise, imports increased to meet the shortfall in domestic production.

Livestock Products

Milk production rose by an estimated 2·5 per cent, made possible by the allocation of additional milk quota (149 million litres[1] – see p 117, 1990) during 1989-90. This led to estimated annual increases in production of butter and cream of 7 per cent, of skimmed milk powder of 25 per cent, and of cheese of 10 per cent. Whole milk powder production fell by 22 per cent and production of condensed milk was the same as in 1989.

Market prices fell from late 1989 and British intervention stocks of butter reached 20,000 tonnes by the end of October. Intervention stocks of skimmed milk powder stand at approximately 7,000 tonnes. Because of weak Community and world markets, levels of Community subsidies for export and internal disposal increased.

Consumer confidence in eggs continued to recover following the range of government measures to deal with the problems of salmonella in eggs and poultry (see p 248, 1989). Output of hen and duck eggs in Bri-

[1] 1 litre = 0·22 gallon.

tain rose from 914,000 million dozen in 1989 to 933,000 million dozen in 1990.

Clip wool production is estimated to have risen to 54 million kg (119 million lb), an increase of 2·7 per cent on 1989. As a result of weakness in the wool price, public expenditure on wool is forecast to rise to £22 million in 1990-91.

Income

The return to farmers and their spouses for their labour, management skills and own capital invested is forecast to have fallen by over 14 per cent, from £1,513 million in 1989 to £1,296 million in 1990. There were marked differences in income patterns between farm types. The past two years, says the report, have seen a recovery in the fortunes of cereal, other cropping and, particularly, intensive livestock farms, while incomes have declined for dairy and extensive livestock farms.

Public Expenditure

Expenditure in Britain on market regulation under the CAP is estimated at about £1,665 million in 1990-91, compared with about £1,012 million in 1989-90. This expenditure includes export refunds and monetary compensatory amounts (see above); the net cost of buying, storing and selling commodities bought into intervention; and grants and subsidies, such as the premium schemes (see pp 114-15, 1989) and payments to producers giving up milk production.

Other expenditure on agricultural support in Britain is estimated to be £293 million in 1990-91, compared with £246 million in 1989-90, resulting from such measures as the Farm and Conservation Grant Scheme (see p 115, 1990) and the Set-Aside Scheme.

Stocks of cereals, beef, butter and skimmed milk powder bought into intervention, having rapidly decreased in recent years, are forecast to increase in 1990-91.

Minister's Statement

Commenting on the report, the Minister of Agriculture, Fisheries and Food, Mr John Gummer, said that 1990 had been a difficult year for farmers, particularly in the livestock sector. 'We cannot expect 1991 to be much easier', he continued. 'Farmers face many uncertainties: the international situation, the GATT negotiations and the pressing need for further reform of the CAP. . . . While its cost is rising steeply, it is not providing the kind of regime which enables farmers to produce food competitively and care for the countryside effectively.' He would work, he said, for changes to Community policies that would make its agriculture more market-oriented and efficient; maintain and improve the countryside; and not discriminate against producers in any one member state.

FORESTRY

Introducing the report[1] of the Forestry Commission for 1989-90, the Commission's chairman, Mr Raymond Johnstone, said that Britain's woodlands had doubled since 1919 to more than 2 million hectares. Although the total new planting was disappointing, during the year some 5,000 hectares of broadleaved trees were planted, compared with 500 hectares ten years ago. The Commission was working with the Countryside Commission on the development of community forests (see p 353, 1990), which would involve local people in shaping their own woodlands. 'More than 40,000 people work in forestry and related jobs in Britain', Mr Johnstone said. Leisure facilities provided by the Commission were 'enjoyed by some 50 million day visitors each year to forest parks, forest nature reserves and hundreds of local forest walks and trails'.

Wood Production

Forest land owned by the Forestry Commission in Great Britain totalled 909,144 hectares in 1989-90: 235,357 hectares in England, 130,524 hectares in Wales and 543,263 hectares in Scotland. New planting and restocking covered 11,946 hectares (10,863 of conifers and 1,083 of broadleaves). As in previous years the area restocked by the Commission (7,865 hectares) substantially exceeded the area of new planting (4,081 hectares). Grant-aided planting by private woodland owners covered 12,767 hectares (9,642 of conifers and 3,125 of broadleaves), a 49 per cent fall on 1988-89.

The volume of wood harvested on Commission lands in 1989-90 totalled 3·55 million

[1] *Forestry Commission. 70th Annual Report and Accounts 1989-90.* HMSO, £12. ISBN 0 10 207591 3.

cubic metres,[1] nearly 2·5 per cent down on 1988-89. Timber sales from the Commission's forests brought in £87·7 million. The Commission's parliamentary grant for 1989-90 was £61 million.

Reduced activity in housing and construction, in home improvements and in furniture-making, badly affected the market for particleboard. A downturn in wood consumption in Britain during 1989-90, says the report, coincided with a rise in processing capacity as a result of increased investment by the wood-based panel sector. British producers still managed to increase their share of a contracting domestic market, from 44 per cent in 1988 to 49 per cent in 1989. Newsprint production increased by 8 per cent to achieve a 28 per cent share of the British market. British sawmillers increased their share of the market to 17 per cent. Sawn softwood produced from British-grown timber was second only to that supplied from Canada in total consumption.

Storm Damage

Severe storms which swept across southern England, the English Midlands and Wales in January 1990 caused damage to trees and woodlands, aggravated by further storms in February. A Forest Windblow Action Committee reported in March 1990 that some 1·3 million cubic metres of timber had been blown down, compared with nearly 4 million cubic metres blown down in the great storm of October 1987 (see p 415, 1987, and p 68, 1988). By March 1990 nearly 1·1 million cubic metres of timber from Commission woodlands, and an estimated 2 million cubic metres from private woodlands, had been harvested from the timber blown down by the 1987 storm.

Ports Bill

The Ports Bill, designed to make it easier for trust ports to privatise themselves, received its second reading in the House of Commons on 28 January. It would also enable the Government to initiate the privatisation of larger trust ports. The Secretary of State for Transport, Mr Malcolm Rifkind, described the Bill as a further stage in the modernisation of the ports of Britain.

Background

The Bill is primarily an enabling measure designed to offer trust ports that wish to privatise themselves a quicker and simpler mechanism than currently exists. Trust ports are independent authorities established under local legislation to operate a port. There are over 100 trust ports in Great Britain, including some of the largest in the country, such as the Port of London Authority, Dover, Tees and Hartlepool, Medway and Forth. Some 14 trust ports each have an annual turnover of more than £5 million. Others are very small and are classified as fishery harbours or, in Scotland, as marine works. The Minister of Agriculture, Fisheries and Food and the Secretaries of State for Scotland and Wales are the ministers responsible for these smaller trust ports. Other ports are owned by local authorities or private-sector companies.

In a speech to the British Ports Federation on 9 March 1988, the then Secretary of State for Transport, Mr Paul Channon, said that the Government regarded those ports not already constituted as companies as possible candidates for privatisation, and invited any who wished to do so to resort to private legislation. Two authorities – Clyde, and Tees and Hartlepool – promoted private Bills in 1989, which are still before Parliament. However, on 12 July 1990 the then Prime Minister, Mrs Margaret Thatcher, acknowledged this to be a cumbersome procedure and said that the Government would consider taking the initiative itself by means of an enabling Bill (*Hansard*, Vol 176, No 141, col 452). An undertaking to do this was included in the Queen's Speech on 7 November 1990 (see pp 369-71, 1990).

MAIN PROVISIONS

Part I of the Bill provides for schemes to be drawn up for the transfer of trust ports' undertakings to companies regulated under the Companies Act. Such a scheme would be subject to the confirmation of the appropriate minister, normally the Secretary of State for Transport, in the form of a statutory

[1] 1 cubic metre = 35·316 cubic ft.

instrument. These successor companies could then be sold into the private sector, also with the consent of the minister. The Bill provides for a 50 per cent government levy on the proceeds of such a sale, and for a claw-back, again of 50 per cent, on any profits of the sale of land for a period after privatisation. This would limit the extent to which the proceeds from the sale of trust ports on privatisation would represent a windfall gain for the business and its purchasers, and would ensure that an appropriate part of the proceeds goes to the taxpayer.

The Bill would also enable the Secretary of State to initiate a privatisation, after a period of two years from the enactment of the Bill. Such a privatisation would have to follow a consultation with the port concerned, and would only apply to ports with an annual turnover of at least £5 million. This figure would be index-linked to rise in line with inflation.

The Port of London Authority (PLA) is treated separately in Part II of the Bill. It would be enabled to sell its commercial docks at Tilbury (Essex), but would remain as a public authority retaining its statutory functions, which include river conservancy and the safety of passenger traffic.

Part III of the Bill would provide for the transfer of responsibility for navigational aids within harbour areas from the general lighthouse authorities[1] to the local harbour authorities, in cases where the division of responsibility is currently unsatisfactory.

The Bill would apply in the main to Great Britain, although some sections would also apply to Northern Ireland.

PARLIAMENTARY DEBATE

The Bill received its second reading in the House of Commons on 28 January (*Hansard*, Vol 184, No 43, cols 670-754) by 260 votes to 204.

Government View

Introducing the Bill, Mr Rifkind said that, as an island nation, Britain had a particular interest in its ports and harbours. Much of the country's economic activity depended upon the ports being able to answer the demands made upon them. It was therefore important to ensure that ports and harbours were able to adapt to changing needs. During the 1980s it had therefore been an important government objective to change the old-fashioned legislation and restrictive practices that limited their operations. Associated British Ports had been privatised successfully in 1983 (see pp 107-8, 1983), the dock labour scheme had been ended in 1989 (see pp 192-4, 1989) and productivity in some ports had risen by 50 to 100 per cent.

Privatisation

The Secretary of State said that trust ports had an anomalous status, 'a strange limbo which makes them neither properly public nor properly private, answerable neither to the shareholders nor to the Government'. Privatisation would enable trust ports to achieve their full potential by giving them access to share capital, by making them more attractive as partners for joint ventures and by allowing them to develop surplus land for non-port ventures. Under the Bill, a trust port could bring forward a scheme for privatisation and submit it to the relevant minister. It would be required to advertise the making of such a scheme and to notify certain people, notably its employees. Half the proceeds of a sale of a port under these arrangements would go to the taxpayer in the form of a levy; otherwise, the buyer would receive an unjustifiable windfall gain.

Mr Rifkind added that one of the main criticisms directed at the Bill was that it would allow him to require a port to bring forward a privatisation scheme. However, that power would be surrounded by restrictions, so that, on the basis of present turnover levels, only 14 out of about 100 trust ports would be subject even to the possibility of being privatised against their wishes. There would also be a delay of two years after enactment before this power became available and even then could only be exercised after consultation with the port concerned.

Port of London Authority

The Bill dealt separately with the PLA, the Secretary of State said, because of three factors peculiar to it:

[1] These are Trinity House in England and Wales, the Northern Lighthouse Board in Scotland and the Commissioners of Irish Lights in Northern Ireland.

1 the great size of the area for which it was responsible – over 150 km (93 miles) of estuary;

2 the wide range of regulatory functions that the PLA was responsible for, including the regulation of public passenger traffic on the Thames; and

3 the special role of the river in the life of the capital city – for example, its use on state occasions.

The Bill would provide for the PLA to sell its commercial docks at Tilbury, but it would retain its statutory functions.

Harbour Lights

The Bill would also correct an anomaly whereby some harbour authorities were financially responsible for the navigational aids in their areas, while others were not. It would enable those responsibilities to be transferred from the general lighthouse authorities to the harbour authorities. The Bill made it clear that harbour authorities were to be regarded as local lighthouse authorities, having the power to mark their harbours. The general lighthouse authorities would not have the power to install buoys, beacons or lighthouses in the area of a harbour authority except as an aid to general navigation.

Conclusion

Mr Rifkind said that the Bill should be seen as a further stage in the modernisation of Britain's ports. The privatisation of Associated British Ports and the ending of the dock labour scheme had made a great difference to the ability of British docks to cope with modern needs. The trust ports should also have the same opportunities. 'The provisions in the Bill will not only ensure the public interest but ensure that ports throughout Britain will be able to respond in a way that will meet their aspirations, which will benefit not only the companies but, equally important, all who work for them.'

Opposition Views

For the official Opposition, Mr John Prescott said that the Bill was part of a government strategy to deregulate the port industry and sell off its land for development. Trust ports had not risen by historical accident; rather, they had been seen as a way of serving the community's needs. At the heart of the present Bill, however, was the desire for access to land on which large profits could be made. The Government's case that the community's needs could best be met through profit and competition had not been proven in other privatisations. He did not accept, as the Government maintained, that at present the trust ports were constrained by the difficulty of raising investment.

The privatisation of the trust ports would not lead to significant employee shareowning, Mr Prescott continued. Instead, companies would buy the ports because of their land values. They would want to take the assets and leave the rump of the port. What was needed was a port policy that integrated the infrastructure, including harbours, to the rest of the country.

For the Liberal Democrats, Mr James Wallace said that they had no disagreement with the enabling parts of the Bill, since ports that wanted privatisation could have been deterred by the private Bill procedure. However, the provisions that could compel ports to be sold were not in the interests of the communities served by those ports.

Shorter Notes

PUBLIC EXPENDITURE

The statistical supplement to the *Autumn Statement 1990* (see pp 426-30, 1990) was published on 1 February. Departments are publishing separate reports (see pp 85-6 for publication details) giving additional information about their spending plans for the years 1991-92 to 1993-94. The supplement and the departmental reports replace the public expenditure White Paper (see pp 69-73, 1990) previously published at this time of year.

The supplement includes a revised estimate of the estimated outturn in 1990-91 of £181,200 million. This is £600 million higher than the Autumn Statement estimate, reflecting the additional costs of military deployments to the Gulf (see pp 54-60).

Source: *Public Expenditure Analyses to 1993-94. Statistical Supplement to the 1990 Autumn Statement.* Cm 1520. HMSO, £13·50. ISBN 0 10 115202 7.

LOCAL GOVERNMENT FINANCE

A community charge reduction scheme is to replace the arrangements for transitional relief.

The Secretary of State for the Environment, Mr Michael Heseltine, said in the House of Commons on 17 January that the Government had reviewed the impact of the arrangements for transitional relief announced in July 1990 (see pp 285-6, 1990). Under these arrangements, relief was to be awarded in such a way that most households faced an increase of no more than £2 – instead of the previous £3 – a week as a result of the switch from domestic rates to the community charge. These arrangements remained in place but were being made more generous. The increase in question would now be the rise in the actual community charge rather than in the notional charge (the actual charge being higher to the extent that local authorities raised their spending by more than provided for by central government). As before, the date of the implementation would be 1 April.

Parallel arrangements were announced in the House on the same day by the Secretary of State for Wales, Mr David Hunt, and the Secretary of State for Scotland, Mr Ian Lang.

Source: *Hansard*, Vol 183, No 36, cols 1005-7, 1025-6 and 1035.

EQUAL OPPORTUNITIES

On 16 January Mr Robert Jackson, Parliamentary Under-Secretary of State at the Department of Employment, outlined a ten-point action plan to encourage employers to strengthen equal opportunities for people of ethnic minority origin. The plan would include:

– regular review of recruitment and promotion procedures;

– training for staff who recruit employees;

– clear and justifiable job-related criteria for recruitment;

– links with local schools and community groups;

– ensuring that ethnic minority staff feature in recruitment literature;

– using pre-recruitment training to prepare potential job applicants for selection tests and interviews;

– arranging access courses and work experience placements (see pp 323-4, 1990) for inner-city residents with educational disadvantage;

– including equal opportunities in general staff training;

– finding out whether the company image within the community is that of a fair employer; and

– collaborating with other local employers to pool ideas.

Mr Jackson also advocated positive action, under the terms of the Race Relations Act 1976, as a key element in eliminating discrimination and promoting equal opportunities. Positive action, he said, aimed to promote fair competition. It helped members of the ethnic minorities to compete on equal terms with the best qualified person, irrespective of their colour.

'The Act enables employers, local authorities, colleges of education, voluntary bodies and other organisations to train people from a particular racial group for work in which they are under-represented; it also means that special needs can be met, such as the provision of courses on health and safety for speakers of other languages.' Describing racial discrimination as 'morally wrong, socially divisive and destabilising', Mr Jackson considered it 'wasteful of economic resources to deny people opportunities to achieve their maximum potential and to contribute fully to the economic health' of the country.

Source: Department of Employment news release, 16.1.91.

WORK PERMITS

Changes to the work permit scheme were announced by the Government on 31 January. These will make it easier for employers to apply for work permits for foreign staff, but

there will not be any relaxation of the immigration rules.

The main changes are:

1 The amount of evidence required to support an application will be reduced to a necessary minimum.

2 Procedures will be introduced to minimise delays when both the Department of Employment and the Home Office need to be involved, so that, in future, employers will submit all applications to the same point of contact in the Department of Employment.

3 Permits will no longer be restricted to those overseas nationals who have gained their qualifications and experience outside Britain, although those admitted as students or for other reasons will not normally be permitted to change into employment.

There will also be a number of other, more detailed changes to simplify the application process.

The Secretary of State for Employment, Mr Michael Howard, said in the House of Commons that a consultation paper had been published in May 1989 as part of a review of the scheme. The proposals in the paper had received overwhelming support. He added that the changes would enable the Department of Employment to provide a better service which would result in considerable administrative savings for most employers needing to apply for permits. He also announced his attention of recovering the cost of administering the scheme by means of charges for applications. Legislation to allow this would follow when a suitable opportunity became available.

Source: *Hansard*, Vol 184, No 47, written answers, cols 637-8.

FOOD SAFETY

New guidelines, which will be used by the Food Advisory Committee when considering the labelling of foods developed using gene technology, have been published.

The Committee, which assesses the risk to humans of chemicals in food, has listed four categories of food and food ingredients which might be prepared using gene technology. It considers that foods falling into some of these categories should carry labelling about the use of the technology, while others need not. The categories are:

1 Foods which are the products of, or which contain products of, a genetically modified organism (GMO) – but do not contain the organism itself, its cells or genetic make-up – which are identical to conventional products traditionally consumed in Western Europe. Special labelling would not be required for most foods in this category as they would not be materially different from conventional products.

2 Food from intra-species GMOs. Most foodstuffs from a GMO which has been derived only from organisms within its own species would not require special labelling as such modification is an accelerated form of traditional breeding methods.

3 Novel food products of GMOs – GMO-derived foodstuffs which do not contain the cells or genetic make-up of the GMO and which differ from conventional products consumed in Western Europe. As a general rule, these foods should be labelled.

4 Foods from trans-species GMOs. Labelling should be required for foodstuffs derived from an organism which has been modified to contain a gene or genes from sources outside its own species.

Source: Ministry of Agriculture, Fisheries and Food news release, 17.1.91.

COAL MINING SUBSIDENCE BILL

The Coal Mining Subsidence Bill, aimed at improving the arrangements for dealing with subsidence damage caused by coal mining, has received an unopposed second reading in the House of Commons.

Deep mining often lowers the surface land as the overlying geological strata subside into the void created by the removal of coal. This subsidence can result in damage to land and buildings located above such undermining. At present, an owner or tenant affected by such damage can seek remedy from British Coal through the Coal Mining (Subsidence) Act 1957 or through the Coal Industry Act 1975. The Government has stated its wish, through this Bill, to consolidate existing legis-

lation into a single statute and to take account of good practice that has grown up in recent years.

The Bill also takes account of the findings of a committee appointed by the Government to review subsidence compensation (see p 389, 1987); of advice received in response to a government consultative document on the content of legislation (see p 216, 1988); and of a report by the House of Commons Energy Committee, which analysed subsidence issues (see pp 296-7, 1990).

Part II of the Bill sets out the remedial action required in response to subsidence damage. Its clause 2 imposes an obligation on British Coal to take remedial action, whether by executing repairs, paying for repairs or making payment in respect of any depreciation in the value of the damaged property.

Part III provides for additional remedies, including compensation for farmers, and places on a statutory basis obligations voluntarily assumed by British Coal.

Part IV deals with preventive works to existing buildings designed to reduce the impact of subsidence damage; with precautionary works to new buildings; and with measures to deal with damage to land drainage systems.

Part V makes supplementary provisions, including a requirement on British Coal to reimburse any reasonable costs or expenses incurred by a claimant in the successful preparation and prosecution of a claim. Arrangements have also been made for an arbitration scheme specially to deal with subsidence problems.

In the debate in the House of Commons on 4 February, Mr David Heathcoat-Amory, Parliamentary Under-Secretary of State for Energy, said that in its annual report (see p 326, 1990) British Coal had made provision of £243 million to cover subsidence damage. The Government, he said, 'do not wish needlessly to burden British Coal with huge financial obligations regardless of cost. . . . However, we want to specify the fair obligations on British Coal and clearly set out the rights of householders.'

Sources: *Hansard*, Vol 185, No 48, cols 69-118; No 49, cols 119-33; Department of Energy news release, 4.2.91.

RENEWABLE SOURCES OF ENERGY

The Government has announced details of its review of, and the future programme for, hot dry rock geothermal technology (see p 244, 1988). Work has been carried out since 1976 at Rosemanowes in Cornwall. The current phase, begun in 1988, is due to be completed in September 1991. Total government funding to date is some £37 million. The European Community has contributed £3 million.

The review, by the Department of Energy, with the present contractors, the Camborne School of Mines, and RTZ Consultants Limited, has shown that:

1 a satisfactory procedure for creating a commercial reservoir has still not been demonstrated;

2 there is no reliable information about the properties of the rock at the 6 km (3·75 miles) depth needed for a commercial reservoir;

3 a satisfactory method of sealing short circuits has not yet been demonstrated;

4 the economics of hot dry rocks are uncertain, but electricity from commercial hot dry rock power stations is unlikely to be competitive with conventional means of generation in the short to medium term;

5 hot dry rock technology is still at an early stage of development, and is unlikely to attract private investment in the short term; and

6 participation in a joint European programme offers the chance of resolving some of the technical uncertainties.

In making the announcement in the House of Commons on 1 February, Mr Colin Moynihan, Parliamentary Under-Secretary of State for Energy, said that the next phase of the work, for which the Government would provide £3·3 million over the period 1 October 1991 to 31 March 1994, would concentrate less on research in Cornwall and involve greater collaboration with a European programme involving France, Germany and the European Community. 'In this way', he continued, 'the substantial expertise developed in the United Kingdom can be exploited in a European context and opportunities pur-

sued for transferring the technology to industry. A decision on further major investment in an experimental prototype will be taken in about two years when feasibility work on the different European sites has been completed.'

Sources: *Hansard*, Vol 184, No 47, written answers, col 651; Department of Energy news release, 1.2.91.

Environmental, Social and Cultural Affairs

Shorter Notes

HOMELESSNESS

A £3 million government scheme to help stop young people drifting onto the streets of London was unveiled on 21 January by the Minister of State at the Department of Health, Mrs Virginia Bottomley. It will seek to develop ways of supporting in their own communities young people who would otherwise come to London.

The scheme is part of the Government's strategy for tackling the problem of young people sleeping rough in London announced in June 1990 by the then Secretary of State for Health, Mr Kenneth Clarke (see pp 255-6, 1990) and is in addition to a number of measures to help the homeless (see pp 35-6). It will make a maximum of £100,000 a year available from April 1991 for around ten voluntary organisation projects for up to three years. The aim of the projects will be to co-ordinate agencies locally to identify young people at risk. They will if possible be helped to find security and stability in their home area.

Mrs Bottomley said that many young people on the streets of London were far away from home and friends, and had perhaps never intended to come to London when they first ran away. With the right help and support, they might have chosen to stay in their own areas. Sometimes all that was needed was an emergency shelter; at other times continuing support was needed, including help to reconcile them to their families. 'The scheme will be valuable in promoting innovative ways to tackle this problem and reducing the severe risks to which these vulnerable young people are exposed once they come to London.'

Source: Department of Health news release, 21.1.91.

AREAS OF OUTSTANDING NATURAL BEAUTY

The Government has restated its commitment to the protection of Britain's areas of outstanding natural beauty (AONBs). Mr Tony Baldry, Parliamentary Under-Secretary of State for the Environment, announced the Government's response to a revised and updated policy statement from the Countryside Commission in the House of Commons on 17 January.

A total of 38 AONBs have been designated in England and Wales since 1956, covering about 19,300 sq km (7,450 sq miles) or around 13 per cent of the total land area. AONBs comprise areas which have important landscape quality but which lack extensive tracts of open countryside suitable for recreation and hence National Park status. Unlike National Parks, there are no special administrative arrangements for AONBs, but local authorities are encouraged to give them attention in their planning and countryside conservation work. They are designated by the Countryside Commission, subject to confirmation by the Secretary of State for the Environment or for Wales.[1]

Responding to the policy statement from the Countryside Commission, Mr Baldry said that the formal recognition of the national importance of an area's beauty conferred by AONB designation should be reflected by local authorities in their preparation of struc-

[1] Under the Environmental Protection Act 1990, the functions of the Countryside Commission in Wales, together with those of the Nature Conservancy Council, will be vested in a new body, the Countryside Council for Wales from 1 April 1991; see pp 81-4, 1990.

ture and local plans[1] and in their exercise of development control functions. The Government supported the Commission's proposals for statements of intent further to clarify the role and purpose of designation for new AONBs and for management plans to be prepared for existing areas.

The Government also endorsed proposals for Joint Advisory Committees and the appointment of officers to co-ordinate and promote local policies towards each AONB. Mr Baldry added that, following an increase in grant for the Countryside Commission for 1991-92, the Government expected to see an expansion in the Commission's programme to appoint AONB officers and the bringing forward of its plans for future years. 'AONBs are an important element in this Government's commitment to protect the countryside … the Commission's statement is an important step forward in the protection and enhancement of the countryside and we look forward to seeing it positively applied by all involved.'

Source: *Hansard*, Vol 183, No 36, written answers, col 545.

HER MAJESTY'S INSPECTORATE OF POLLUTION

Her Majesty's Inspectorate of Pollution (HMIP) is to be strengthened in preparation for its new responsibilities under the Environmental Protection Act 1990 (see pp 81-4 and 394-5, 1990).

At the beginning of 1991, HMIP was almost at its full complement of 223 staff. However, because of its new duties, the Government announced on 24 January that HMIP had been allocated over 80 new posts. It has been authorised to expand to 248 posts by 1 April 1991, and to over 300 by 1 April 1992. Further increases in staff are to be kept under review by the Government, since it has been provisionally estimated that HMIP may ultimately need up to 400 staff. Salary scales for inspectors have also been increased recently by 18 per cent in response to earlier recruitment difficulties.

[1]See FCO booklet *Planning, Urban Regeneration and Housing in Britain*, No 356/90.

Making the announcement in the House of Commons, Mr David Trippier, Minister of State at the Department of the Environment, said that the substantial increase in HMIP's strength demonstrated the Government's commitment to high standards of environmental protection.

Source: *Hansard*, Vol 184, No 41, written answers, cols 269-70.

EDUCATION AND COMMUNITY RELATIONS IN NORTHERN IRELAND

The influential role of education in improving understanding and toleration between Protestants and Roman Catholics in Northern Ireland was highlighted in a speech on 25 January by Dr Brian Mawhinney, Minister of State at the Northern Ireland Office (see pp 396-7, 1990). Dr Mawhinney drew attention to a number of government education measures which were helping to break down the barriers of community division.

The cross-community contact scheme, in its fourth year of operation, involved over one-third of Northern Ireland schools – more than 450 – and over 300 youth and community groups in long-term cross-community activities. At the primary level, activities have included initial contact 'ice-breaking' meetings, joint sporting activities, residential sessions, musical activities and joint work in the environment. At secondary level, links have been made primarily between individual subject departments in schools north and south of the border.

Dr Mawhinney referred to the teaching of the compulsory cross-curricular themes of 'education for mutual understanding' and cultural heritage in Northern Ireland schools. The Government's aim was to encourage people to learn about each other so that they would come to recognise that differences between people need not necessarily lead to division and that diversity could be a source of strength. The introduction of a common history curriculum in schools would do much to dispel the myths and mistrust fuelling misunderstanding and intransigence. The Minister also pointed to the Enniskillen bursary scheme, which encour-

ages young people from Northern Ireland to seek experience abroad and return home to promote community harmony. This had already received more than 400 applications during 1990-91, four times as many as in 1987-88, its first year of operation.

The Government is to give financial support from 1991-92 to Playboard, a voluntary body working to improve community relations in children's playschemes. The funding will help the organisation to provide training and support on a cross-community basis to parents and other volunteers involved in promoting mutual understanding. Commenting on the community relations work carried out by Playboard and others, Dr Mawhinney said on 30 January: 'Many of the seeds of sectarianism can be sown at a very early age ...' It was important, he said, 'that children have the opportunity to play in an environment which ... helps them to understand and to share the values of other children, especially those of different cultural traditions ...'

Sources: Northern Ireland Office news releases, 25.1.91 and 30.1.91.

INFORMATION TECHNOLOGY IN SCHOOLS

The Government stresses the importance of keeping pace with new technological developments that can be applied in education. In 1991-92 it will devote over £30 million to supporting expenditure on information technology in schools. Compact disc technology, interactive video and laptop computers may all, it believes, have widespread applications throughout the school curriculum.[1]

A total of £500,000 will be allocated by the Government for a pilot project to assess the educational value of CD-ROM (compact disc with read only memory) in schools during 1991-92. CD-ROM is a means of storing large quantities of information on a small disc which can be interrogated by a computer. The equivalent of 250,000 pages of A4 text can be held on a single disc. Audio channels are available offering the possibility of a commentary.

The National Curriculum Council, which promotes curriculum development in England, has commissioned a series of interactive video discs for teaching mathematics at a cost to the Government of £1·3 million. Interactive video uses a videodisc player in combination with a personal computer and monitor, and allows the user to communicate or 'interact' with the programme being shown. The Government plans to undertake a thorough pilot study of the educational applications of interactive video in 1992-93.

During a speech made in London on 16 January, Mr Michael Fallon, Parliamentary Under-Secretary of State at the Department of Education and Science, called on manufacturers to produce a low-cost laptop computer for testing in schools. This would need to be portable and robust and have a long battery life and sizeable screen.

Source: Department of Education and Science news release, 16.1.91.

[1] For further information on the uses of information technology in schools, see FCO reference fact sheet *Information Technology in Britain's Schools*, No 239/90.

SPORT

A study[1] into participation sports in Britain in 1987 has been carried out by the Office of Population Censuses and Surveys on behalf of the Sports Council and the Department of the Environment[2] using data from the 1987 General Household Survey (see pp 27-9, 1990). Some of the main findings of the report are given below:

– A total of 61 per cent of all those interviewed said that they had taken part in at least one sport in the four weeks before interview.

– Men were more likely than women to have participated in sport.

– Keep fit/yoga and horse riding were the only sports with higher participation rates among women than among men.

[1] *General Household Survey 1987: Participation in Sport*, by Jil Matheson. Supplement B to the 1987 General Household Survey. HMSO, £6·15. ISBN 0 11 691314 2.

[2] At the time that the study was commissioned, the Department of the Environment was responsible for sport; responsibility was transferred to the Department of Education and Science in December 1990.

– For most sports, participation declined with age, so that, for example, over half the 16- to 19-year-olds had played snooker, billiards or pool in the year before interview, compared with only about a quarter of those aged 30 to 44.

– The most popular sports were:
walking (with 38 per cent participation);
snooker/billiards/pool (15 per cent);
swimming (3 per cent outdoors and 11 per cent indoors);
darts (9 per cent);
keep fit/yoga (9 per cent); and
cycling (8 per cent).

Source: Office of Population Censuses and Surveys news release, 24.1.91.

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Department of Education and Science. Cm 1511. HMSO, £7·40. ISBN 0 10 115112 8.

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Department of Social Security. Cm 1514. HMSO, £8·30. ISBN 0 10 115142 X.

Scottish Office. Cm 1515. HMSO, £17·80. ISBN 0 10 115152 7.

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Further Information Points

Ministry of Agriculture, Fisheries and Food, 3 Whitehall Place, London SW1A 2HH.

Central Office of Information, Hercules Road, London SE1 7DU.

Central Statistical Office, Government Offices, Great George Street, London SW1P 3AQ.

HM Customs and Excise, New King's Beam House, 22 Upper Ground, London SE1 9PJ.

Ministry of Defence, Main Building, Whitehall, London SW1A 2HB.

Department of Education and Science, Elizabeth House, York Road, London SE1 7PH.

Department of Employment, Caxton House, Tothill Street, London SW1H 9NF.

Department of Energy, 1 Palace Street, London SW1E 5HE.

Department of the Environment, 2 Marsham Street, London SW1P 3EB.

Foreign and Commonwealth Office, King Charles Street, London SW1A 2AH.

Forestry Commission, 231 Corstorphine Road, Edinburgh EH12 7AT.

Department of Health, Richmond House, 79 Whitehall, London SW1A 2NS.

Home Office, Queen Anne's Gate, London SW1H 9AT.

Board of Inland Revenue, Somerset House, London WC2R 1LB.

Office of the Minister for the Civil Service, Government Offices, Horse Guards Road, London SW1 3AL.

Northern Ireland Information Service, Stormont Castle, Belfast BT4 3ST.

Overseas Development Administration, Eland House, Stag Place, London SW1E 5DH.

Scottish Information Office, New St Andrew's House, Edinburgh EH1 3TD.

Department of Social Security, Richmond House, 79 Whitehall, London SW1A 2NS.

Department of Trade and Industry, 1 Victoria Street, London SW1H 0ET.

Department of Transport, 2 Marsham Street, London SW1P 3EB.

HM Treasury, Parliament Street, London SW1P 3AG.

Welsh Office, Cathays Park, Cardiff CF1 3NQ.

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